

# SODO Arena



**CITY COUNCIL PRESENTATION #2  
GOVERNMENT PERFORMANCE AND FINANCE  
COMMITTEE  
JUNE 6, 2012**

**Public Investment**

**Security**

**I-91**



# Core Principles



**SELF FINANCED THROUGH REVENUE STREAMS**

**NOT GENERAL FUND SUPPORTED**

These funds would not exist without the project

Not taking money away from other services

**CITY AND COUNTY PROTECTED FROM CONSTRUCTION  
COST OVERRUNS AND OPERATING REVENUE  
SHORTFALLS**

**NO PUBLIC FUNDS COMMITTED UNTIL NBA FRANCHISE  
SECURED**



# Public Investment



- **LEASE PURCHASE STRUCTURE**
- **BASIC DEBT STRUCTURE**
- **FIRST INSTALLMENT**
- **SECOND INSTALLMENT**





# Lease/Purchase Structure

Purpose

Process

Examples

Timeline

- Alternative Procurement Process
- Allows Cities to Mitigate Construction Risk
- Construction Requirements Defined Under State Law





## Lease/Purchase Structure

Purpose

**Process**

Examples

Timeline

- Call for Bids
  - Outline specific requirements
  - State amount of public investment
- Select Partner
- Acquire When Complete for Predetermined Amount





## Lease/Purchase Structure

Purpose

Process

Examples

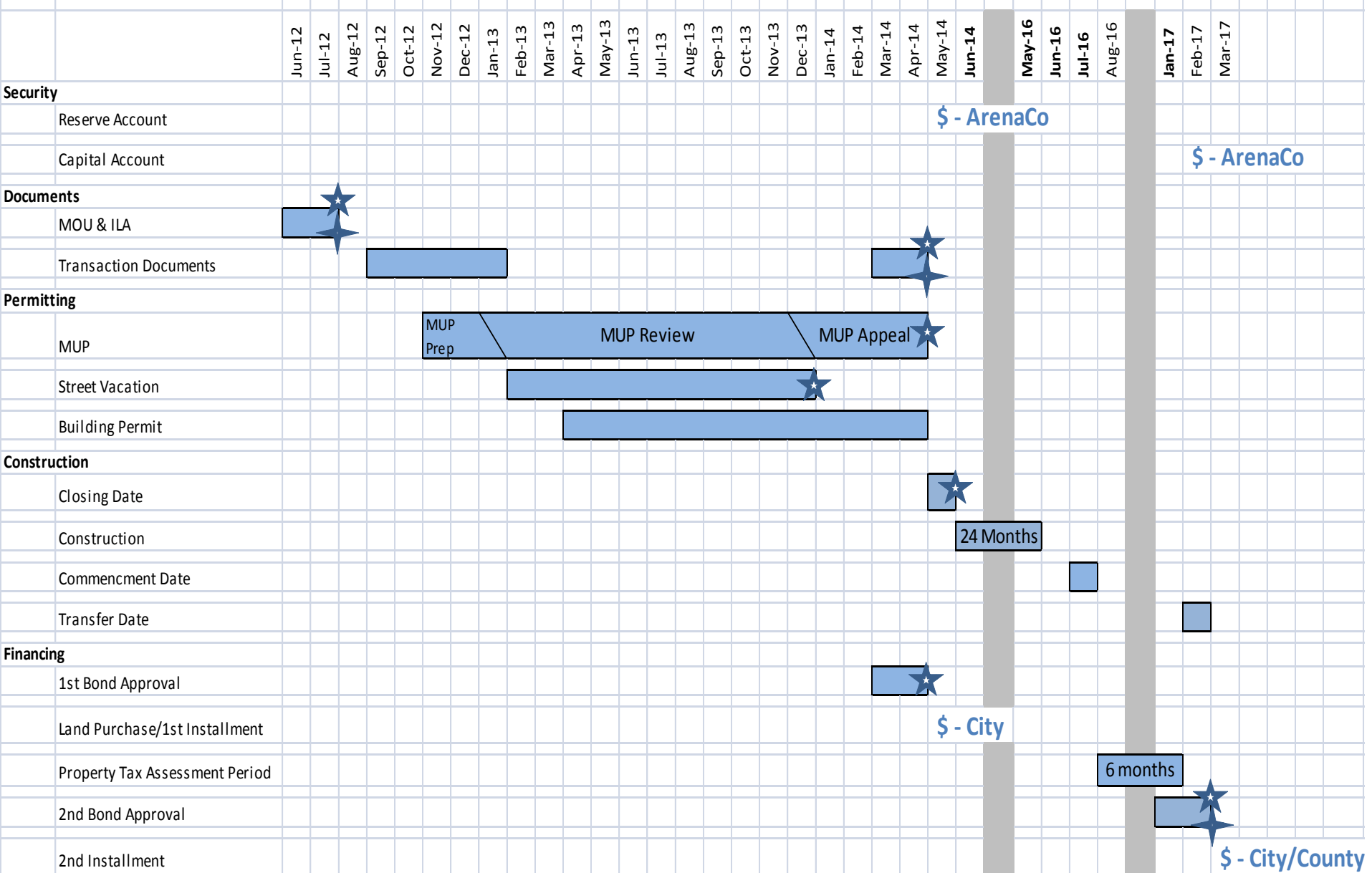
Timeline

- **Benaroya Hall**
  - City Owned
  - Call For Bids
  - Acquisition at Completion
- **County Facilities (61-20)**
  - Chinook Building
  - Pat Steel Building (Harborview)
  - Goat Hill Garage



	Time Period
★	City Council Action
★	County Council Action
\$	Payment

## Arena Timeline







## Basic Debt Structure

Amount and Timing

Tax and Rent  
Supported

Taxable v. Tax-exempt

City/County Split

- Up to \$200 Million
  - With NBA & NHL
    - ✦ City - \$120 Million
    - ✦ County - \$80 Million
  - With NBA Only
    - ✦ City – \$120 Million Less County Amount
    - ✦ County – Up to \$5 Million





## Basic Debt Structure

Amount and Timing

**Tax and Rent Supported**

**Taxable v. Tax-exempt**

City/County Split

- Tax & Rent Supported
  - Taxes
    - ✦ Admission Tax
    - ✦ Property Tax
    - ✦ Sales Tax
    - ✦ Business & Occupancy Tax
    - ✦ Leasehold Excise Tax
    - ✦ Parking Tax
  - Rent
    - ✦ Base Rent
    - ✦ Additional Rent
- Taxable v. Tax Exempt





## Basic Debt Structure

Amount and Timing

Tax and Rent  
Supported

Taxable v. Tax-exempt

City/County Split

- Original Investor Request
  - Higher Financial Request of City
  - All Funds Up Front
- City Limit
  - Lower Overall Commitment
  - Portion for Land; Portion for Arena
- County Participation
  - To Reach \$200 Million
  - Agreed to a Higher Amount (up to \$80 Million)
- If Public Investment is Lower,  
Less County Participation



## Basic Debt Structure

Amount and Timing

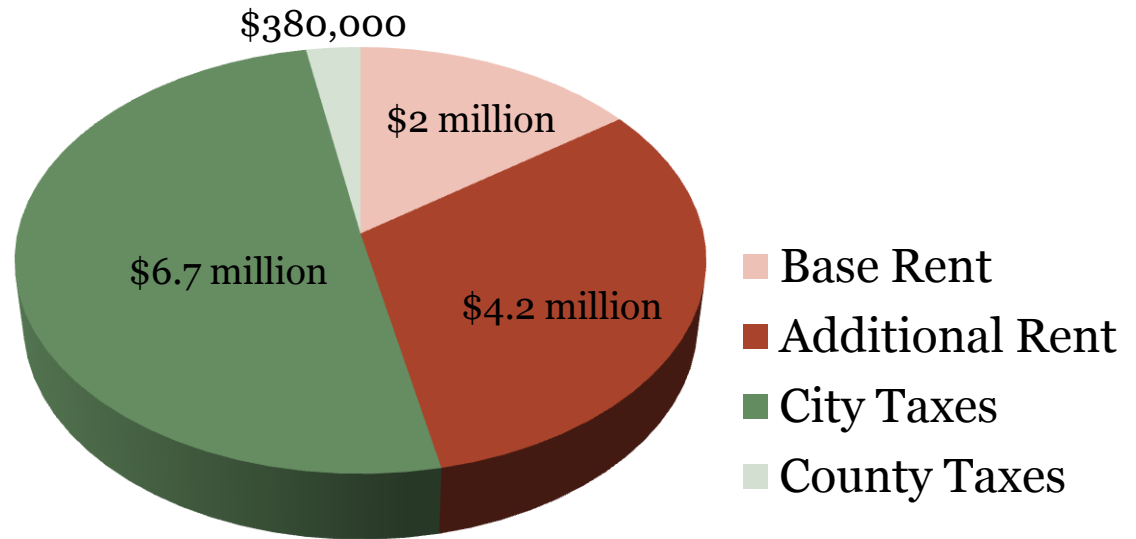
Tax and Rent Supported

Taxable v. Tax-exempt

City/County Split

## Revenue Supporting Debt Service

(as estimated by City)



**Total First Year  
Debt Service**  
\$13.8 Million





## First Installment

Conditions  
Precedent

Up to \$100 million

- **Conditions Precedent**
  - Fully Permitted Arena
    - ✦ Including MUP/SEPA, Street Vacation
  - Secured NBA Team w/ Nonrelocation Agreement
  - Financing Satisfactory to City/County
  - Reserve Account
  - Payment & Performance Bond
  - Transaction Documents
- **Up to \$100 Million**
  - Land Acquisition
  - Based on Independent Appraisal





## Second Installment

### Conditions Precedent

Balance of Public  
Funds, Up to \$200  
Million

- Conditions Precedent
  - Construction Complete
  - Property Assessed for Property Tax Purposes
- Balance of Public Funds
  - NBA and NHL Scenario
    - ✦ City Contribution: \$120 Million
      - When combined with First Installment
    - ✦ County Contribution: \$80 Million
  - NBA Only Scenario
    - ✦ City Contribution: Up to \$120 Million (less County Contribution)
      - Based on Arena Performance
    - ✦ County Contribution: Up to \$5 Million





## Known Project Costs & Who Pays

Cost	Paying Party
Permit Costs (MUP, SEPA, Etc.)	ArenaCo
Dedicated Permit Staff (at DPD)	ArenaCo
Street Vacation	ArenaCo
City Monitoring and Inspection (After Transfer Date)	ArenaCo
Miscellaneous City/County Costs <ul style="list-style-type: none"><li>• Legal</li><li>• Consultant</li><li>• City/County Staff</li></ul>	ArenaCo (Up to \$5 million)
City/County Costs > \$5 million	City/County
Security/Emergency Services During Operations	ArenaCo



# Security



- **FINANCIAL SECURITY**
- **OPERATING SECURITY**



# Financial Security

## Annual Revenue Guarantee

First Position on ArenaCo Revenue

Reserve Account & Coverage Ratio

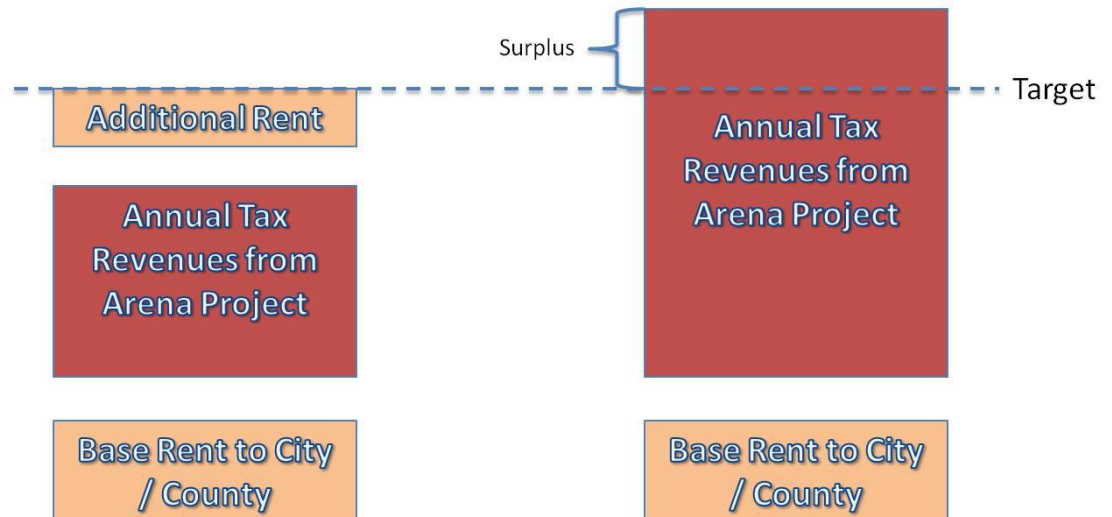
Parent Company Guaranty

Additional Provisions

## Revenue Guarantee

### SHORTFALL SCENARIO

If “Base Rent” plus “Arena Tax Revenues” is not sufficient to cover annual financial obligations to City / County, ArenaCo will pay “Additional Rent”.





# Financial Security

Annual Revenue Guarantee

First Position on ArenaCo Revenue

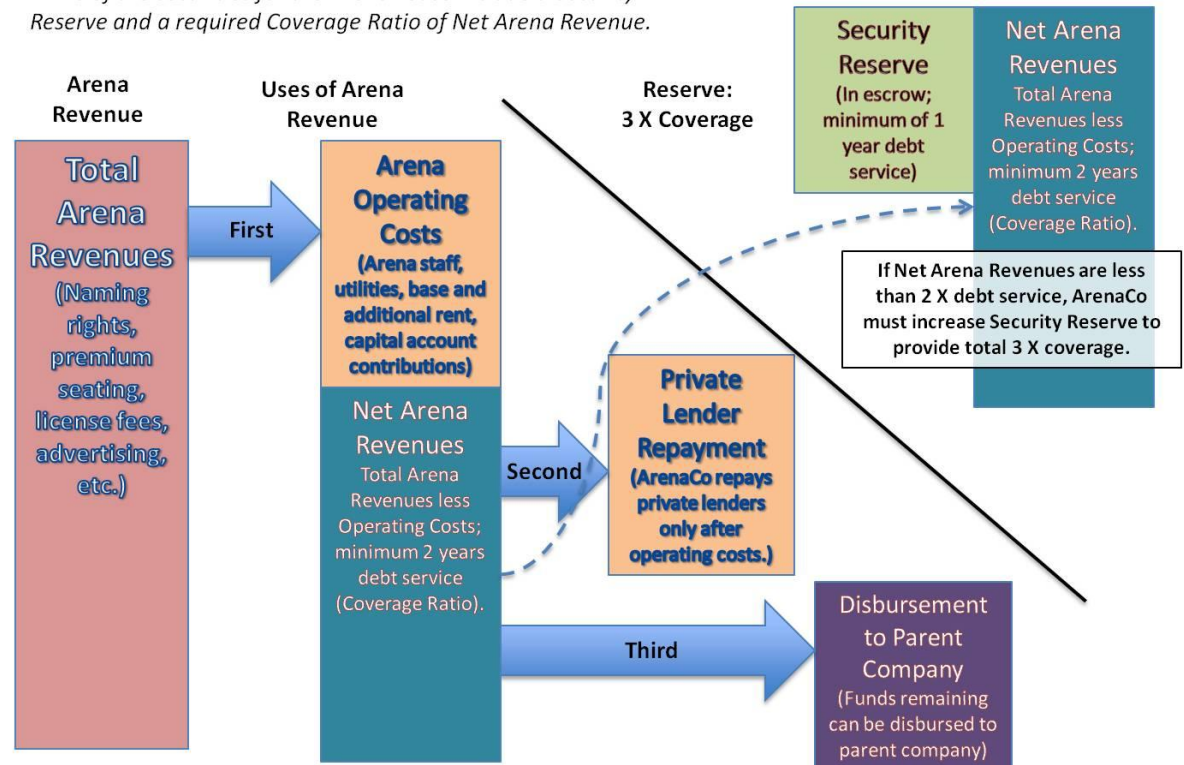
Reserve Account & Coverage Ratio

Parent Company Guaranty

Additional Provisions

## Coverage Ratio and Security Reserve

*Two of the securities for the Arena Lease include a Security Reserve and a required Coverage Ratio of Net Arena Revenue.*





# Financial Security

Annual Revenue Guarantee

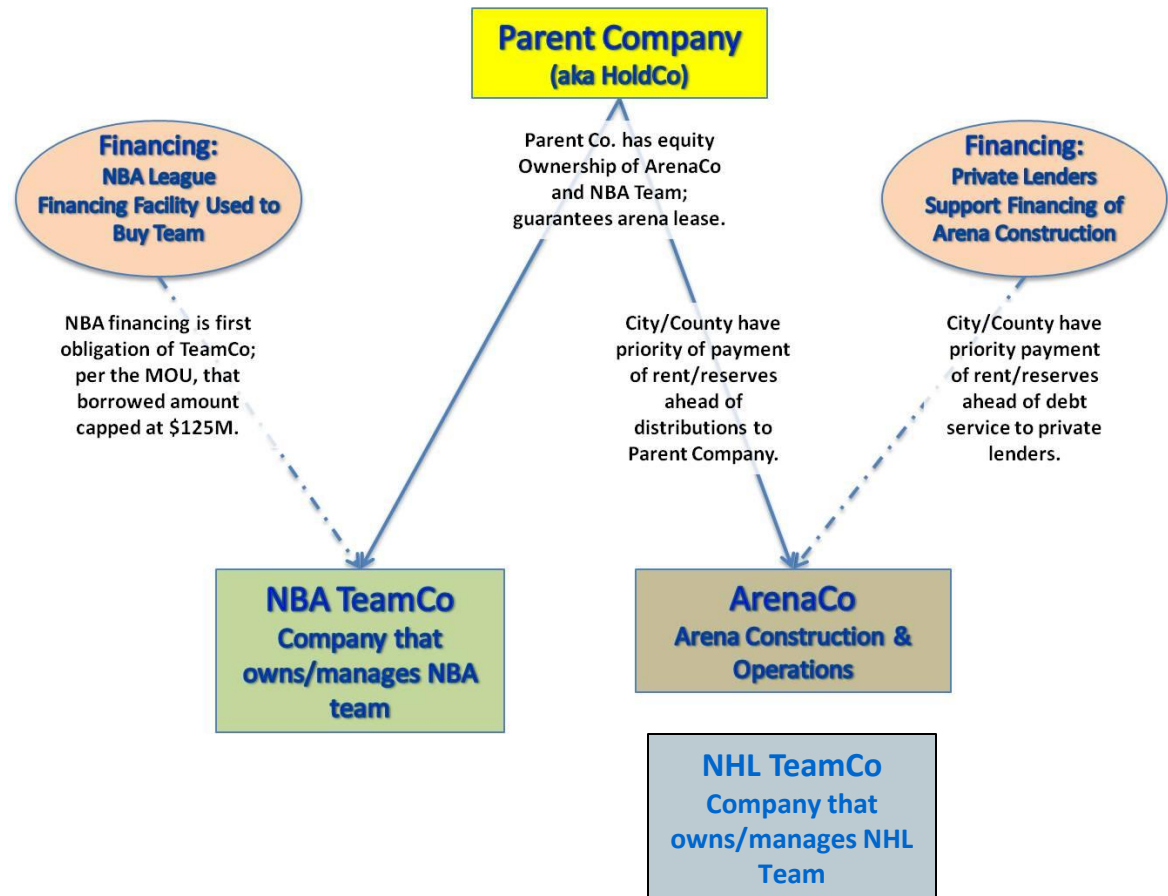
First Position on ArenaCo Revenue

Reserve Account & Coverage Ratio

Parent Company Guaranty

Additional Provisions

## ArenaCo and Team Ownership







## Financial Security

Annual Revenue Guarantee

First Position on ArenaCo Revenue

Reserve Account & Coverage Ratio

Parent Company Guaranty

### Additional Provisions

- Arena Ownership
- Maximum Public Financing Limit
- City/County Costs
- Non-Relocation Agreement
- Locally Domiciled





## Operating Security

No Operational Financial Risk

City/County Capital Account

ArenaCo Capital Account

Non-Relocation Agreement

- No Operational Risk
  - 30 Year Lease to ArenaCo
- ArenaCo Capital Account
  - \$2 Million/Yr
  - All Maintenance/Capital Improvements are ArenaCo's Responsibility
- City/County Capital Account
  - City/County may contribute to major capital improvements, at City/County Option (insurance for future costs)
- Non-Relocation Agreement



# I-91



- **BACKGROUND**
- **APPLICATION TO PROPOSAL**
- **ONE APPROACH**